

Medicare Fee Cuts: Time for a Solution

WITH LATEST CUT LOOMING, THE FEDS CALL FOR PERMANENT FIX.

Editorial Staff

Medicare's increasingly criticized sustainable growth rate (SGR) formula has determined the latest physician fee cut, scheduled to take effect Jan. 1, 2012, and as usual, it's not pretty: a 27.4 percent reduction in fees for health care providers across all disciplines (which is actually an improvement from the 29.5 percent cut originally projected earlier this year). Rather than waiting until the proverbial 11th hour for Congress to [stave off](#) the fee cuts and preserve the current reimbursement rate (perhaps with a slight increase, as has been the case in the past), Health and Human Services (HHS) has issued a statement calling for a long-term solution.

In a statement released Nov. 1 "on the need to fix the Sustainable Growth Rate issue upon release of the final Medicare physical fee schedule rule," HHS Secretary Kathleen Sebelius addressed the SGR formula, explaining why it is flawed and emphasizing that the federal government is committed not only to preventing the 2012 reduction from taking effect, but also to finding a permanent solution to the problem:

"America's physicians are the backbone of our health care system. Physicians are there for us throughout our lives, helping us improve our health and fight off disease. Unfortunately, while Medicare remains strong, physicians are facing steep payment cuts as a result of a flawed 1997 law. Almost every year for more than a decade, doctors have faced this annual threat and the Congress has in turn acted to temporarily prevent these deep reductions from taking effect. We have not and will not let deep cuts to doctors' payments occur. The Obama Administration is 100 percent committed to fixing the flawed Medicare payment system and protecting Medicare beneficiaries' access to doctors.

"Earlier this year, President Obama presented a deficit reduction plan in which he once again called for a permanent fix to the [SGR] provision so that our nation's physicians would no longer have to face the threat of draconian cuts year after year. Today we again call on the Congress to quickly and permanently pass the so-called 'doc fix' and we pledge to work with legislators on both sides of the aisle to address this issue once and for all. The pattern of threatened SGR cuts and last-minute Congressional rescues is in itself not a sustainable solution and must be remedied. Patients and physicians will both benefit when we take the action recommended by the President and permanently address this issue."

[Survey findings](#) released by the Medical Group Management Association in October 2011 emphasize the potential impact of fee cuts, particularly of this size, on health care practitioners. In the "MGMA Legislative and Executive Advocacy Response Network (LEARN) Sustainable Growth Rate (SGR) Study," the association surveyed 2,176 medical groups representing over 93,000 physicians. Among the questions posed was: "If Congress does not intervene to avert the Medicare cut, currently projected at 29.5 percent for Jan. 1, 2012 [now 27.4 percent per the final rule], which of the following actions will your practice take? According to survey respondents, potential actions relative to patient care in the face of a fee cut include reducing the number of appointments for new Medicare patients (51.1 percent) and/or current Medicare patients (34.8 percent); only accepting established patients aging into Medicare (26.9 percent), or stopping

accepting new Medicare patients (30.9 percent). Nine percent of respondents said they would cease treating Medicare patients altogether.

Relative to their business, survey respondents said they would delay the purchase of new clinical equipment and/or facilities (68.7 percent); reduce charity care (62.2 percent); reduce staff salaries and/or benefits (60.7 percent); reduce the number of clinical staff (51 percent) and/or administrative support staff (56.7 percent); or delay the purchase of electronic health record systems (30.1 percent). In fact, according to survey findings, the mere uncertainty created by annual threats of Medicare payment cuts is *already* impacting physician business decisions: 64.7 percent have delayed purchasing new equipment / facilities; 53.4 percent have reduced staff salaries and/or benefits; 51.7 percent have reduced charity care; 48.7 percent and 39 percent, respectively, have reduced the number of administrative support staff or clinical staff; and 31 percent have delayed the purchase of electronic health record systems.

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